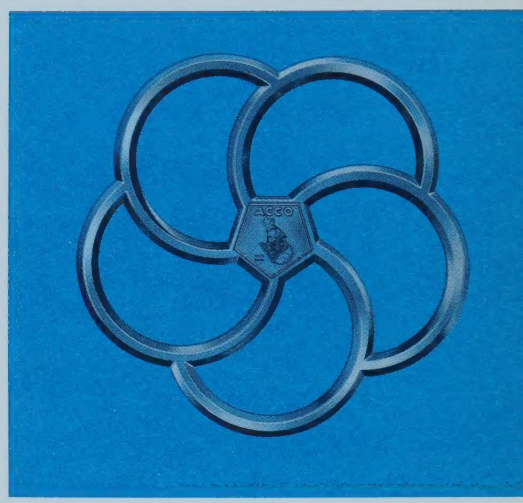


ACCO

Annual Report 1965

AMERICAN CHAIN & CABLE COMPANY, INC.

Who will read this Annual Report?
Will you?

We assume that every stockholder will *look* at the financial figures, especially the Highlights on the facing page. But how many of you will read much of the *additional information* about ACCO? (We wish we knew the answer.)

Many man-hours have been spent in bringing together the information in this Report, in words and illustrations, which is intended to give our stockholders a better understanding of our Company's business. What we have accomplished in 1965 is past. Our planning for the future is prologue. And your interest is in the future — as is ours.

Transfer Agent: Chemical Bank New York Trust Company, 20 Pine Street, New York, N. Y.

Registrar: The Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York, N. Y.

Auditors: Lybrand, Ross Bros. & Montgomery, 2 Broadway, New York, N.Y.

AMERICAN CHAIN & CABLE COMPANY, INC. AND SUBSIDIARIES

Highlights

	1965	1964	1963
Net sales	**$166,819,260**	$156,259,405	$145,595,347
Income before taxes	**$16,826,122**	$14,990,694	$11,977,822
Income taxes	**7,485,000**	7,165,000	6,143,000
Net income	**9,341,122**	7,825,694	5,834,822
Cash dividends	**3,357,521**	2,946,532	2,946,532
Retained in the business	**$5,983,601**	$4,879,162*	$2,888,290
Stockholders' equity at end of year	**$82,417,954**	$76,515,211	$73,141,332
Current assets	**$76,366,760**	$68,453,083	$68,184,558
Current liabilities	**24,543,943**	18,958,991	18,617,462
Working capital	**$51,822,817**	$49,494,092	$49,567,096
Ratio of current assets to current liabilities	**3.1 to 1**	3.6 to 1	3.7 to 1
Working capital per share**	**$20.82**	$19.90	$19.93
Stockholders' equity per share**	**$33.12**	$30.77	$29.41
Income taxes per share**	**$3.01**	$2.88	$2.47
Earnings per share**	**$3.75**	$3.15	$2.35
Capital expenditures	**$7,002,347**	$5,069,557	$2,796,527
Depreciation	**$3,403,137**	$3,266,865	$3,070,965
Number of stockholders at end of year	**9,000**	8,970	8,727
Number of employees at end of year (approx.)	**9,700**	9,300	9,900

All years shown above include Mechanical Handling Systems, Incorporated, which was acquired in 1965 in a "pooling of interests."

**Before special item charged against earnings retained in the business.*

***Based on shares outstanding at end of year adjusted for 2-for-1 stock split in 1965.*

Cyrus N. Johns Wilmot F. Wheeler, Jr

Malcolm Baldrige Albert J. Bergfeld T. C. Davis
Arthur C. Laske N. Baxter Jackson

Edward C. Mabbs James W. Morrell Charles H. Lucke, Jr.
Vincent E. Lysaght Peter B. McSherry, Jr.

Directors

Malcolm Baldrige
President, Scovill Manufacturing Company
Albert J. Bergfeld
President, Case & Company, Inc.
T. C. Davis
Corporate Director
N. Baxter Jackson
Chairman of the International Advisory Board, Chemical Bank New York Trust Company
Cyrus N. Johns
Chairman of the Board
Arthur C. Laske
Secretary-Treasurer
Wilmot F. Wheeler, Jr.
President

Executive Committee

Cyrus N. Johns, Chairman
Albert J. Bergfeld
T. C. Davis
N. Baxter Jackson
Wilmot F. Wheeler, Jr.

Officers

Cyrus N. Johns
Chairman of the Board
Wilmot F. Wheeler, Jr.
President
Charles H. Lucke, Jr.
Vice-President
Vincent E. Lysaght
Vice-President
Edward C. Mabbs
Vice-President
Peter B. McSherry, Jr.
Vice-President
Arthur C. Laske
Secretary-Treasurer
James W. Morrell
Controller

To Our Stockholders:

The many significant events of 1965 which are described in this Fifty-Third Annual Report add up to a "milestone" year for American Chain & Cable.

SALES AND EARNINGS

During 1965, sales and earnings reached the highest levels in the history of the Company. Consolidated net sales for 1965 amounted to $166,819,260 representing an increase of 6.8% over comparable sales for the previous year. Consolidated net income rose 19.4% to $9,341,122. Figures for both years reflect the acquisition of Mechanical Handling Systems, Incorporated (MHS) on a "pooling of interests" basis.

Earnings per share of common stock were $3.75, compared with $3.15 earned in 1964. These earnings-per-share reflect the two-for-one stock split effected February 10, 1965 and the additional shares issued in exchange for shares of MHS common stock.

DIVIDENDS

Cash dividends paid during 1965 amounted to $3,357,521, continuing our record of uninterrupted quarterly payments since 1936.

On January 27, 1966 the Directors declared a quarterly dividend of 40 cents per share — an annual dividend rate of $1.60 per share or 20 cents greater than the $1.40 paid in 1965.

REORGANIZATION

A most important and far-reaching organization decision was made early last year. Since its incorporation, American Chain & Cable has had a number of semi-autonomous divisions and subsidiaries which operated under the direction of corporate officers responsible for the major functional areas. During the latter part of 1964, we concluded that the Company's growth and profit objectives could be better served by a different pattern of corporate organization. A critical examination of all divisions and subsidiaries revealed many similarities in their products, markets and/or manufacturing processes indicating that it would be practical to realign operations into four domestic groups, plus a fifth comprising foreign activities.

This reorganization plan was implemented during 1965. Five operating groups were established: Wire Products, Industrial Supplies & Machinery, Instruments & Electronics, Material Handling, and International Operations. Each group has its own staff, manufacturing plants and distribution methods adapted to the particular marketing requirements of its product lines. The activities of these groups are described in subsequent sections of this Annual Report.

PERSONNEL

On May 4, 1965 at the Annual Meeting of the Board of Directors, Cyrus N. Johns was elected Chairman of the Board and Chief Executive Officer. Wilmot F. Wheeler, Jr. was elected President to succeed Mr. Johns who had held this office since May 1, 1951. Mr. Wheeler had been Executive Vice-President since January 1, 1959.

Other executive appointments made during 1965 included: Charles H. Lucke, Jr., formerly Vice-President–Operations, named Group Vice-President–Wire Products; Peter B. McSherry, Jr., formerly Vice-President–Sales, named Group Vice-President –Industrial Supplies & Machinery; Edward C. Mabbs, formerly Vice-President–Purchasing & Production, named Group Vice-President–Material Handling; and C. Graydon Lloyd, named President of The Bristol Company, Waterbury, Connecticut.

LABOR RELATIONS

Of major significance in 1965 was the forty-month agreement reached with the United Steelworkers of America who represent some 2,400 employees at eight plants. Altogether during the year, new agreements were negotiated with eight different unions representing the employees at eighteen plant locations. In all instances but one, these contracts were negotiated without interruption to production. The exception was at the Bristol, Pennsylvania plant where the United Glass & Ceramics Workers Union called its 47 members out on a strike which lasted three weeks before a settlement was reached.

RESEARCH & DEVELOPMENT

New and improved products, new applications for existing products, and new production techniques always have been recognized as essential for the future growth of the Company. The accomplishments of the past year are highlighted in the descriptions of our Group activities elsewhere in this Report. During 1965, approximately $2,500,000 was devoted to the overall research and development effort.

CAPITAL ADDITIONS

Capital expenditures during 1965 amounted to $7,002,347. The provision for depreciation during the year was $3,403,137.

Principal among the capital projects was the completion of a new Canadian plant in Stratford, Ontario, for Dominion Chain Company Limited. This plant was officially opened in August, 1965.

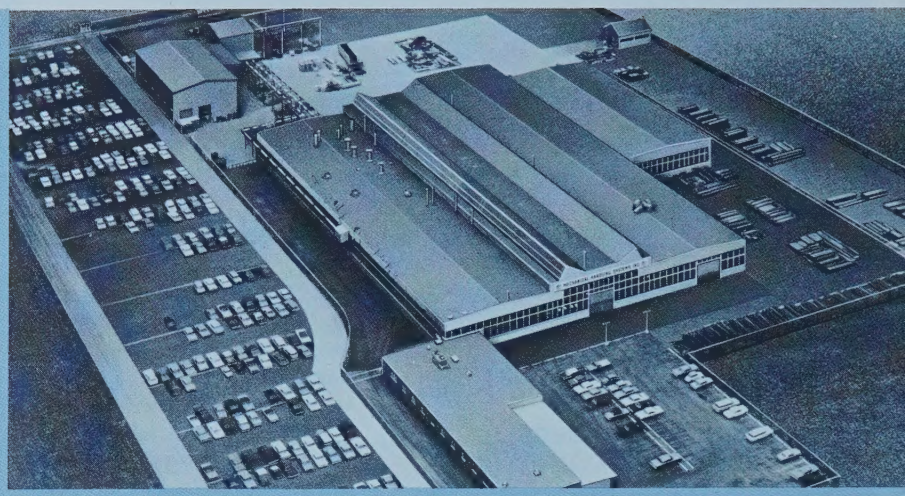
Construction was started in 1965 on a new plant at Skelmersdale, England, for our subsidiary, Parsons Chain Company Limited. This new plant is scheduled to be in operation by July 1966 and will supplement the capacity of the present plant at Stourport-on-Severn, England.

Another major project started in 1965 was a substantial expansion of capacity for producing pearlitic malleable iron castings at our foundry in York, Pennsylvania. These facilities will be in operation by July, 1966.

Still another major project started in 1965 and scheduled for completion in 1966 is a new office facility for our Material Handling Plant in York, Pennsylvania.

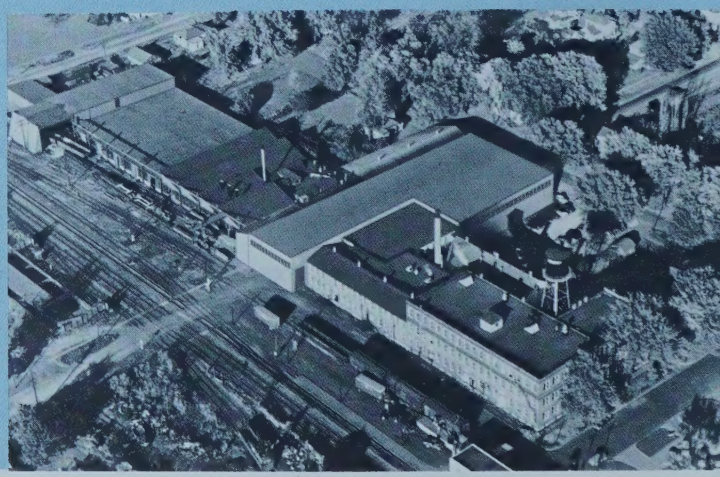
As a result of growing demand for abrasive cut-off wheels, the capacity of our Allison plant is being overtaxed. A larger, more modern plant was authorized in 1965. Land has been purchased and site preparation has begun, with construction scheduled for completion by the end of 1966.

In addition to these major capital projects of 1965, the program to upgrade and improve our production facilities continues to be aggressively pursued.



Mechanical Handling Systems, Incorporated, Warren (Detroit) Michigan

Canadian Mechanical Handling Systems, Ltd., Windsor, Ontario, Canada



The Louden Machinery Company, Fairfield, Iowa

ACQUISITIONS

On October 5, 1965 the Company offered to acquire Mechanical Handling Systems, Incorporated through the exchange of one share of common stock for two and one-half shares of the common stock of MHS. This offer was successfully concluded on December 31, 1965 with virtually all of the outstanding shares of MHS common stock tendered for exchange. The financial information for the past three years, appearing throughout this Report includes MHS on a "pooling of interests" basis. The outstanding preferred shares of Louden Machinery Company, a subsidiary of MHS, have been called for redemption on March 15, 1966.

The principal properties of MHS and Louden are pictured on the facing page. Typical installations of the products of these companies also are illustrated and a further description of their products and markets may be found on page 10 of this Report.

Also during 1965, our Canadian subsidiary, Dominion Chain Company Limited, acquired substantially all the assets of Canadian Warren Pink Limited. This acquisition, consummated on March 1, 1965, was mentioned in the 1964 Annual Report.

THE YEAR AHEAD

As noted at the outset, 1965 was a "milestone" year in the history of American Chain & Cable. Given a favorable economic climate in 1966 and assuming that no seriously restrictive government controls are invoked, we are confident that the records of 1965 can be surpassed. The programs begun in 1965, such as the new plan of organization, the acquisitions and new capital programs, are expected to bear fruit in 1966 and make significant contributions to our objective of profitable growth.

* * *

The annual meeting of stockholders will be held on May 3, 1966. Proxies will be requested of the stockholders when the notice of the annual meeting, proxy statement and form of proxy are mailed on April 1, 1966.

The achievements of 1965 are attributable in no small measure to the cooperative efforts of the men and women who make up American Chain & Cable. On behalf of the Directors and Officers, we wish to thank these employees, our stockholders, our customers and our suppliers for their continued loyal support.

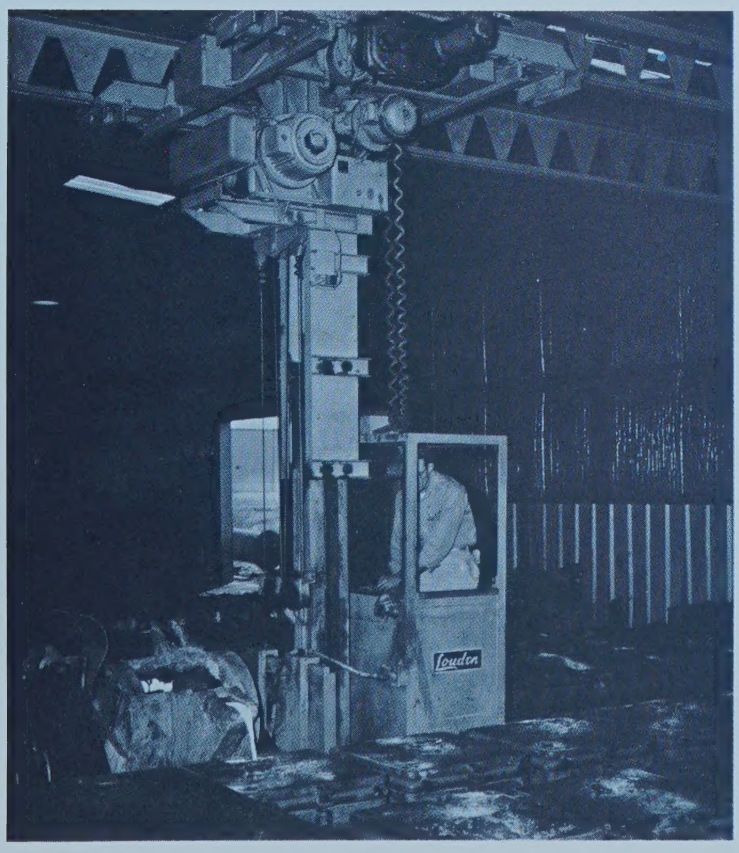
Cyrus N. Johns

CYRUS N. JOHNS
Chairman of the Board

Wilmot F. Wheeler, Jr.

WILMOT F. WHEELER, JR.
President

Bridgeport, Connecticut
March 25, 1966



This Louden telescoping stacker crane operates in a cast iron foundry to place molds on the pouring floor, transport hot metal and pour into the molds. Since it is a telescoping type stacker, it can take the shortest route from the cupola to the next row of molds to be poured.

Mechanical Handling Systems overhead conveyor, with automatic dispatching devices, handles sacks of mail in Post Office at an unprecedented high rate of speed.

THE SOLIDARITY OF FIVE INTEGRATED GROUPS

A number of factors, some external, some internal, have prompted the Company to reorient its strength and change to a more responsive group organization. Our goal: to render better service to customers while improving our profit picture.

A primary reason for this change is the changing demands of the customer in today's market place. Selling, in the sense of satisfying the customer, is getting more complex all the time. Where once size and type of product were enough, salesmen must now answer questions about metallurgy, cryogenics, and similar engineering information. Detailed technical product information must be communicated without delay. Today's customer demands better engineering, better quality, better service. We must be even more customer oriented than ever before.

Company growth has also increased the need for better communication and coordination between its many divisions. Many present day ACCO products had not been invented or designed a decade ago; new products already account for an important part of total sales. Through the years, additional companies have been acquired, and in the future, further acquisitions are anticipated. With this growth, the dissemination of information has become more complex. At the same time, we have gained new strengths in people, products, plants and facilities. We have now organized to utilize these strengths to best advantage.

ACCO's diversified product lines are now joined into five groups: Industrial Supplies and Machinery, Instruments and Electronics, Material Handling, Wire Products, and the International Group.

The Company's many strengths in men and facilities are now coordinated and interrelated. A free exchange of ideas and experience is taking place within each group and between groups. Salesmen now have more selling opportunities, and, with quick access to product information, they are in a better position to close more sales. Research and Development capabilities are being utilized more fully. Handling of orders and inventory control is being expedited through combined data processing facilities. Quality control is more absolute. Warehousing is more closely coordinated. Production is more efficient. The concentration of seasoned personnel will result in more frequent contacts with customers and bring about a clearer understanding of their needs.

The impact of the new group organization is being felt in all phases of Company activity.

WIRE PRODUCTS GROUP

American Cable & Hazard Wire Rope

Wire Rope, Nylon, Dacron & Woven Wire Slings

Page Welding Wire; Strand; Manufacturers Wire; Aluminized Chain Link Fence

Tru-Lay Push-Pull Remote Controls; Automotive and Aircraft Cable Assemblies; Terminals; Tow Lines

SteerMaster Marine Steering Equipment; Clutch and Throttle Controls; Korodless Yacht Rigging

MATERIAL HANDLING GROUP

Mechanical Handling Systems, Automatic Power and Free, Tow Line, and Sortation Systems; Floor Lines and Overhead Trolley Conveyors; Driverless Tractors; Work Carriers and Storage Racks

Louden Monorail Cranes and Systems

Wright Hoists and Cranes

Mansaver Grabs and Custom Engineered Hook Attachments

ACCO Chain, Wire Rope, Nylon, Dacron, and Woven Wire Slings

ACCO Custom Engineered Material Handling Equipment, Wire Rope and Cable Winches

INDUSTRIAL SUPPLIES & MACHINERY GROUP

American Welded & Weldless Chain and Attachments

ACCO Registered & Kuplex Sling Chains

Allison Abrasive Cut-Off and Grinding Wheels

Campbell Abrasive Cut-Off Machines

Hydraulic Presses

Nibbling Machines, Punches, Dies

Victor Masonry Cutting Saws and Blades

Malleable Iron Castings

Bristol Socket Screws

Maryland Bolts and Nuts

Weed Tire Chains

INSTRUMENTS & ELECTRONICS GROUP

Bristol Automatic Controlling, Recording, Electronic and Telemetering Instruments; Syncroverter Choppers

Data-Master Digital and Computing Data Loggers; Solid State Supervisory Control Systems; High Speed Serial-Entry Printers

Electro-Mech Centralized Control and Annunciator Systems

ACCO Gyros, Accelerometers, and other Inertial Equipment

Helicoid Pressure Gages

Wilson "Rockwell" Hardness Testers

INTERNATIONAL GROUP

In Canada

DOMINION CHAIN COMPANY Limited, Stratford, Ontario

CANADIAN WARREN PINK
division of Dominion Chain Company Limited
St. Catharines, Ontario and Vancouver, British Columbia

THE BRISTOL COMPANY OF CANADA Limited, Toronto, Ontario

CANADIAN MECHANICAL HANDLING SYSTEMS LTD., Windsor, Ontario

In England

MHS INTERNATIONAL, Inc., Watford, Herts

PARSONS CHAIN COMPANY Limited

BRITISH WIRE PRODUCTS Limited, Stourport-on-Severn, Worcestershire

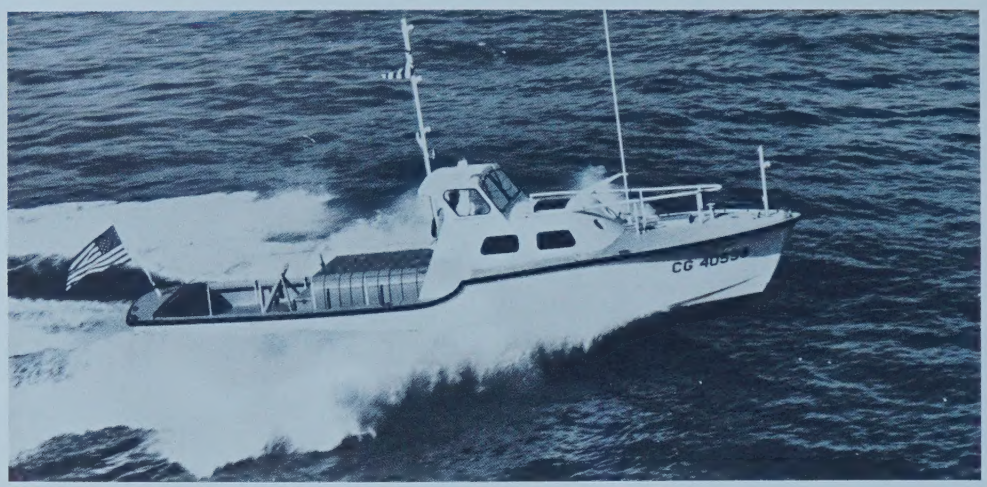
In Mexico

INSTRUMENTOS BRISTOL, S.A. Mexico 7, D. F.


WIRE
PRODUCTS
GROUP
MATERIAL HANDLING
GROUP
ACCO
INDUSTRIAL
SUPPLIES &
MACHINERY
GROUP
INTERNATIONAL
GROUP
INSTRUMENTS &
ELECTRONICS
GROUP

WIRE PRODUCTS GROUP

CHARLES H. LUCKE, Jr.
Group Vice-President



A.

The making of wire is one of the most ancient of the metal working crafts. Today, wire is essential for innumerable products and it is being used by a great many industries in ever increasing quantities. The Wire Products Group is geared to meet these growing needs. New and improved products, new applications, highest quality at lowest possible cost and excellent customer service — all are essential elements of our primary objective of profitable growth.

MARKETS

Our wire products have wide usage in many industries, but those that are especially important are — automotive, construction, petroleum, and metal fabricating. In 1965, the automotive industry had one of the best years in history, and millions of cable assemblies of our manufacture were used in automobiles and trucks.

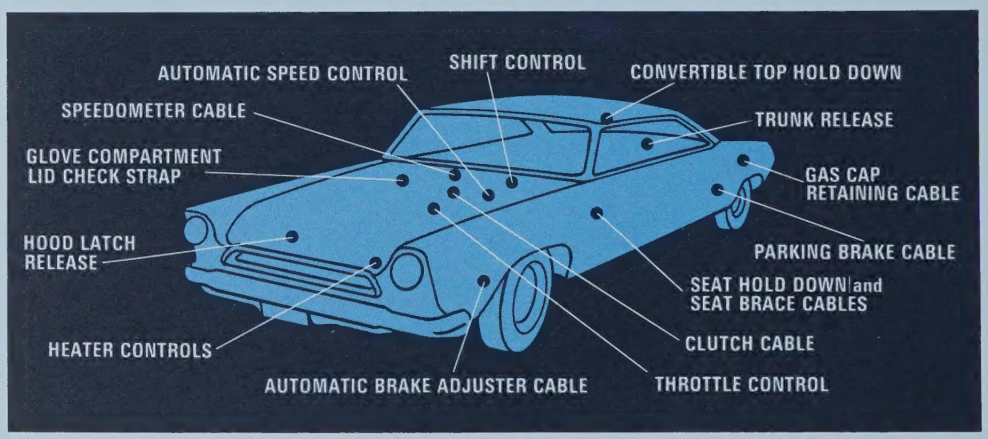
Our sales staff is attuned to changing conditions and opportunities in new markets. These efforts receive the full support of our R & D and manufacturing staffs.

SALES ORGANIZATION

During the past year, three market-oriented, wire products sales units were created. Under our new group program, most salesmen are now representing more of our wire products than formerly, which will result in an improved use of salespower. But, where a market is concentrated in a relatively few customers with a large volume of sales, as in the case of the automotive industry, these customers are served by specialists. Sales to government agencies similarly get specialized attention.

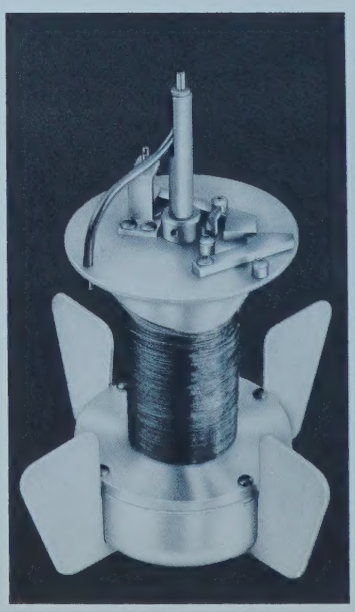
MANUFACTURING

ACCO quality control in wire products is continuous. It begins with the selection of steel billets and is carefully maintained throughout all phases of the rolling, drawing and manufacturing operations. Thus, we are able to design, produce and market a wide variety of products with the same high standards of quality. Broad production forecasting and planning, centrally administered at Group headquarters, has the advantage of providing both short- and long-term flexibility to meet changing requirements. Major emphasis is being placed on modernizing facilities where profit potential is greatest.



B.

C.



D.

PRODUCTS

Cable Assemblies. The use of cable and fittings, some enclosed in conduit, as in the case of push-pull controls, is growing in many industries. The automotive market is an important user. And, by continuing effort in new designs of cable control units, we have provided a growing variety of cable assemblies to this market. The large volume uses for our products are, obviously, our business life blood. But special uses are often stimulating and are indicative of the quality of our design and manufacturing skills. Such uses, for example, as push-pulls on Gemini spacecraft, or the operation of gear shift controls on the jet-powered, four-wheeled "Spirit of America," which last year set a new world land speed record of over 600 miles an hour on the Utah salt flats.

Marine Steering and Control Systems. In the growing pleasure boat market, our Push-Pull control units for clutch and throttle operation are widely used. Our SteerMaster steering system unit is also gaining in acceptance.

Wire Rope. In the highly competitive wire rope industry, we are directing our attention to special application products where the profit potential is larger. For example, aluminized wire rope — Al-u-flex — was developed by us and is now an accepted product for corrosion resistance applications. Al-u-flex is being specified for the complete outfitting of ships, and its use is spreading in off-shore drilling operations. Similarly, our development of both swaged strand and rope is beginning to realize the sales potential that was anticipated.

Welding Wire. During the year 1965, demands for wire have taxed production facilities to capacity. Several factors keep our product in demand: we offer the widest range of wire analyses; users are serviced by a network of distributors and our own strategically located warehouses. Development of special grades of welding wire is being given top priority, due to their profit and long-range volume potentials.

Fence. Page pioneered in the introduction of Aluminized chain link fence. The superior corrosion resistance gives the property owner better value, because aluminized fence outlasts galvanized 3 to 5 times.

RESEARCH & DEVELOPMENT

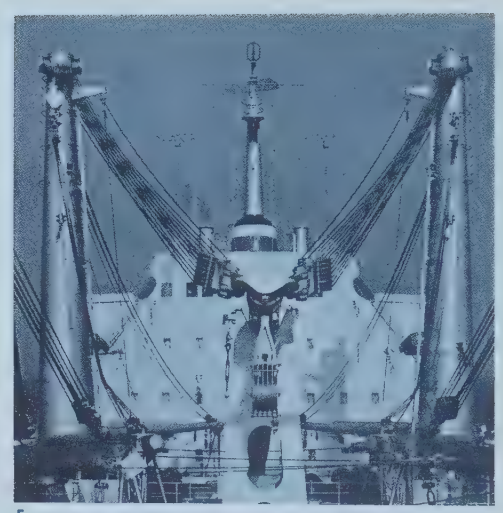
Our research and development programs are coordinated and directed towards products and markets that will generate profitable growth for our six manufacturing facilities.

Continuing development in cable and strand products has opened new fields for reinforced communication cable, energy absorption systems, oceanographic lines, special dispensing packages, and a large variety of products for the military.

During 1965, a new R&D facility was completed at Exeter, Pennsylvania. Here, an engineering staff is engaged in the development and testing of new wire rope constructions, sling endings and coverings, and manufacturing production techniques and equipment. This new facility augments our other wire laboratories at Monessen, Pennsylvania, and Adrian, Michigan.

* * *

The function of the Wire Products Group as an important segment of American Chain & Cable is well established. We anticipate more of the profitable growth that has previously contributed to the company's success.



E.

F.

G. 1 2

A. ACCO AT THE HELM. Volume sales of our SteerMaster steering system are derived principally from the booming pleasure boat market. It is interesting to know, however, that the U.S. Coast Guard has installed SteerMaster as standard equipment on five classes of its boats, one of which is shown here — a 40-foot plastic utility boat. This acceptance is evidence of SteerMaster's dependable performance in severe service.

B. AUTOMOTIVE INDUSTRY IS BIG BUSINESS FOR ACCO. Our cable assemblies and push-pull controls are used in conjunction with brakes, accelerators, speedometers, gear shifts, tail gates, trunk and hood latches, seat belts, etc. Adaptations for other uses are being developed.

C. PIPE LINES FEED FUEL TO INDUSTRY AND HOMES. One of the many uses for our welding wire is in the construction of pipe lines for transmission of gas and oil. The proper analysis of wire is necessary for sound welds. Note two spools of Page Welding Wire, top center.

D. WHEN THE ANCHOR HITS BOTTOM — IT LOCKS! When anchors, such as those containing electronic devices, are placed at sea, a centrifugal action device automatically locks the wire, strand or wire rope being used when the anchor hits bottom, thereby preventing further line payout between the anchor and buoy. ACCO has developed many products for oceanographic work, including this one.

E. STRENGTH OF STEEL WITH CORROSION RESISTANCE OF ALUMINUM. That describes Al-u-flex, the aluminized wire rope being specified on many fleets of ships. It combats corrosion — wire rope lasts longer. These qualities also make it desirable for off-shore drilling operations.

F. SINEWS FOR MODERN AIRCRAFT. Helicopters and jets are among today's civilian and military aircraft using ACCO Push-Pull controls and cable assemblies for such applications as throttle, mixture, prop and flap controls.

G. NEW R&D FACILITY AT EXETER. Shown here are but two pieces of equipment in the physical testing section of the new laboratory. (1) Tester capable of evaluating fatigue properties of wire rope up to one inch in diameter. (2) Four range, high capacity tensile tester equipped with automatic curve drawing recorder.

MATERIAL HANDLING GROUP

EDWARD C. MABBS
Group Vice-President

Industry's continuing need and growing awareness of the opportunities to reduce manufacturing costs through better Material Handling, the trend toward more complex material handling devices and systems, and the country's high level of expenditures for plant and equipment — all provide ACCO's Material Handling Group with expanding growth and profit opportunities.

The Material Handling Group is organizing to take advantage of these opportunities by broadening ACCO's base in material handling products, by improving its knowledge and skills in material handling technology, and by expansion of its facilities.

A.

MECHANICAL HANDLING SYSTEMS, INC.

MHS, acquired late in 1965, is one of the pioneers in the scientific handling of materials. Its conveyor installations range in complexity from standardized conveyor units to complete materials handling systems. MHS's reputation in the industry is based principally on the materials handling systems that it designs, manufactures and installs. These systems use conveyors in various forms and combinations and have their widest application in the mass production industries. They are designed and engineered on the basis of studies of particular plant production and materials handling problems, and the furnishing of such design and engineering services is an important factor in conveyor sales. Installations include both redesign and modernization of existing systems and design and installation of new systems to increase manpower output and efficiency. In addition, conveyors and conveyor components are also sold for installation by purchasers.

The manufacture of conveyors involves principally the machining and assembly of component parts and the fabrication of conveyor frames, tracks and supporting steel. Installation in the customer's plant, which includes final assembly and some steel fabrication, is an important aspect of conveyor manufacturing, particularly in the case of large and complicated materials handling systems.

Our conveyor customers include a wide variety of industries, such as automotive, home appliance, electrical equipment, primary metals, and agricultural machinery industries, post offices and other government agencies, warehousing and freight terminals.

LOUDEN MACHINERY COMPANY

Louden manufactures monorail and crane systems which consist basically of overhead track attached to structures, together with cranes, trolleys, controls, special carriers and propulsion units which move along the track. This equipment is designed for the handling of materials, principally in industrial installations. It complements conveyor systems but is sold to a wider range of customers and lends itself to smaller unit sales. In connection with large installations, monorail and crane equipment is frequently used in combination with conveyor equipment to furnish an integrated materials handling system.

Sales of crane and monorail equipment are made to a wide variety of customers including the machinery, automotive, primary metals, fabricated metals, glass and chemical industries.

WRIGHT HOISTS, CRANES, TROLLEYS

During 1965, Wright continued to improve the design and manufacture of many of its products. A new line of air hoists was introduced under the trade name Air-Way, using several of the modules and components of the Wright-Way line introduced in 1964. A new tractor trolley was designed to replace an outmoded unit. Major improvements were redesigned into the trolley hoist line.

Wright's significant growth during the past few years, especially in 1965, indicates not only the improved markets, but also the increasing acceptance by industry of Wright products.

MANSAVER GRABS

In early 1965 manufacture of grabs was moved from the Mansaver Industries' plant in New Haven, Connecticut to York, Pennsylvania, and integrated with the personnel and products of Wright and ACCO Equipment. The necessary adjustments in procedures, manufacturing methods, and costing have now been satisfactorily completed. Mansaver's ability to design and manufacture larger and more complex grabs than before will allow Mansaver to make significant gains in certain markets.

ACCO CUSTOM ENGINEERED EQUIPMENT

ACCO Equipment manufactures custom engineered material handling and wire handling equipment, with the U.S. Government as its principal customer. 1965 results were disappointing. Reorganization of the sales effort; more market research; emphasis on utilizing the total capabilities of the Material Handling Group — all are receiving concentrated attention to stimulate the growth and profitability of ACCO Equipment.

SLINGS

ACCO is unique in offering industry the widest variety of slings available: of chain, wire rope, Nylon, Dacron or woven wire mesh. No other source can be as impartial as ACCO in providing the user with a sling, and necessary attachments, or grab, that best meets his material handling needs.

NEW, MODERN OFFICE BUILDING

The increased demand for Wright, Mansaver and ACCO Equipment products has created a need for additional manufacturing space. To meet this need, offices now in the plant will be moved to a new $300,000 office building to be completed this year in York. Totaling 17,500 square feet, it will be two-storied and air-conditioned. The engineering staff will occupy the entire second floor.

* * *

The Material Handling Group is confident that further expansion of the Company's material handling products, experience, and skills in 1966 will result in increased sales, a larger share of the material handling market, and improved profits.

A. MHS POWER AND FREE CONVEYOR. Automobiles entering "soft trim" area of final assembly operation on MHS-designed power and free conveyor at a plant in California. Note how car-carriers are designed to permit easy access to car interior for installing the "soft trim" items.

B. COIL GRAB TURNS OVER 25,000 LB. LOAD. One of Mansaver's newest achievements is this 25,000 lb. capacity coil grab which eliminates the need for several other independently operated lifting and positioning devices. It picks up the coil in either a vertical or horizontal position and rotates it 90 degrees.

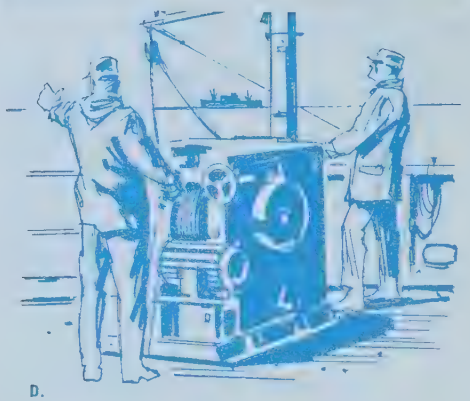
C. NEW, $300,000 OFFICE BUILDING. This new two-storied, air-conditioned building in York, Pennsylvania, when completed in 1966, will house the general office and engineering staffs of Wright, Mansaver and ACCO Equipment.

D. CUSTOM ENGINEERED EQUIPMENT. Among many products designed and manufactured by ACCO Equipment are scientific gear handling winches for oceanographic research. The drawing shows an ACCO meter winch aboard the U.S. Navy Survey Ship "Silas Bent," the first of several ships to be built for the U.S. Navy's expanding oceanographic survey fleet. The winch is an electro-hydraulic self-contained unit which controls a current meter which measures the rate of flow in knots per hour and the direction of the current.

E. INTER-PLANT TRANSPORT IS AUTOMATIC. Here at a carton converting plant of a paper manufacturer, a Louden Selectomatic Dispatch System conveys rolls of paper board from the storage building to the printing department. Two 4-ton capacity MotoVeyor propelled hoist carriers operate over a 600′ continuous loop of Trojan Track. All operations, pick-up, transporting and unloading, are automatic.

F. ENTIRE PRODUCTION OF NEW PLANT GEARED TO WRIGHT HOISTS AND CRANES. This is a section of the production line of a new plant in which a station-to-station flow of materials is dependent upon Wright hoists and cranes exclusively. Shown here is but one of literally dozens of Wright-Way cable hoists and wall-mounted jib cranes which were required to meet the many varied material handling needs of this modern plant. Completing the installation is a Wright 5-ton top-running crane with a Speedway hoist.

C.



D.

B.

E.

F.

INDUSTRIAL SUPPLIES & MACHINERY GROUP

PETER B. McSHERRY, Jr.
Group Vice-President

The manufacture, distribution, and sales of industrial supplies and machinery is a multi-billion-dollar industry. The many products of this industry are grouped into twelve broad major classifications, and it is significant that the products of our Group are included in four of these.

Even though our sales volume is already substantial, as a per cent of the huge total market for industrial supplies it is understandably small. Therefore, our Group growth potential is excellent. We have the capability to improve our share in this growing and dynamic market and we are capitalizing on this capability.

A.

B.

C.

MARKETING

Our new Group organization has resulted in a consolidation of experienced manpower and facilities which provide new benefits to both our customers and ACCO.

We have increased the potential effectiveness of our seasoned field salesmen by giving them more products with all the advantages of multiple-line selling.

Over many years, we have developed a network of blue-chip distributors in all key industrial trading centers, and a program is under way to encourage distributors to handle more of our product lines.

Our customers are being better served by the increased product knowledge of distributors and our own field salesmen. In addition, the prompt flow of products has been improved through a chain of warehousing facilities.

We are in a position to react more quickly to future changes in markets and customers' needs, and to opportunities arising in new markets.

PRODUCTS

Most of the products of our Group are long-established and enjoy recognition as quality items both from the trade and by users.

AMERICAN CHAIN. We continue to be the world's largest manufacturer of chain with the broadest line of types, fittings and attachments.

WEED CHAINS. There is no substitute for tire chains when ice and snow make driving hazardous. The National Safety Council reports that reinforced chains outperform all other devices in starting and stopping.

ALLISON WHEELS. Allison is a pioneer in abrasive cutting, which is the fast-growing, modern method for severing not only mild steel, glass, ceramics, and plastics, but such tough new alloys as titanium and molybdenum. Industry consumes large quantities of our wheels.

CAMPBELL ABRASIVE CUT-OFF MACHINES. These companions to abrasive wheels are offered in many models, in a price range from approximately $500 to $25,000, for both dry and wet cutting operations.

CAMPBELL NIBBLING MACHINES. Seven models are used by metalworking plants for the fast, economical cutting of flat metal shapes.

ACCO HYDRAULIC PRESSES. Models of various capacities are offered for operation by air, electricity or manually to do the jobs of parts removal, straightening and other press applications.

BRISTOL SOCKET SCREWS. Myriad are the uses for our socket screws in machines and tools, appliances, instruments, electronic devices, communications equipment, etc. Their use on Gemini spacecraft testifies to their precision.

MARYLAND BOLTS & NUTS. Today, these fasteners represent a high degree of engineering design, metallurgy and manufacturing skills and are used widely throughout manufacturing. transportation and construction.

ACCO MALLEABLE IRON CASTINGS. The use of malleables in industry is growing — up 20% since 1963. We are growing with this increase and are expanding our manufacturing facilities.

A. CEMENT KILNS USE MUCH ACCO CHAIN. Kilns are often 12 ft. or more in diameter and may be 500 ft. long. The raw materials are fed into the higher end. The kiln revolves on huge roller bearings, and the raw materials slide downward toward the lower end, gradually being exposed to greater heat until they are burned into clinkers at 2700°. All the while, a mass of ACCO kiln chains suspended inside the revolving drum transfers heat, prevents solidifying and helps control the size of clinkers which, when cooled, are ground into cement.

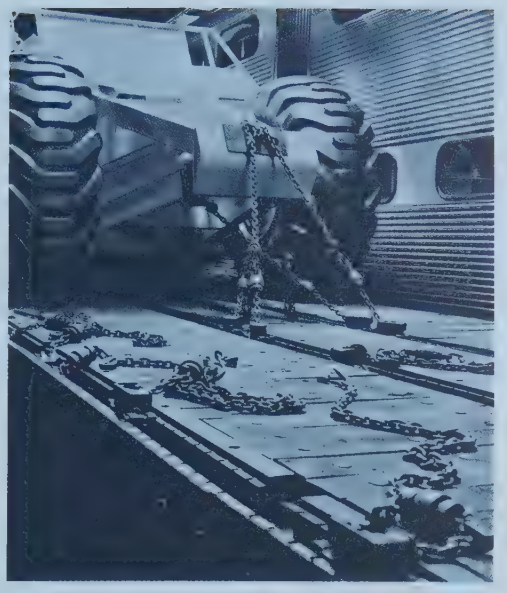
B. MARYLAND BOLTS FOR CONSTRUCTION. ACCO's Maryland high-strength bolts are sharing the construction industry's top preference for this method of field assembly for structural steel bridges and buildings.

C. NEW $2,000,000 PLANT for ALLISON. This modern abrasive wheel facility is under construction at Shelton, Conn. to house manufacturing, research and sales under one roof.

D. AMERICAN CHAIN TIE-DOWNS. ACCO is working with suppliers to the growing transport industries, developing modern methods of securing, for example — automobiles, agricultural machinery and forest products.

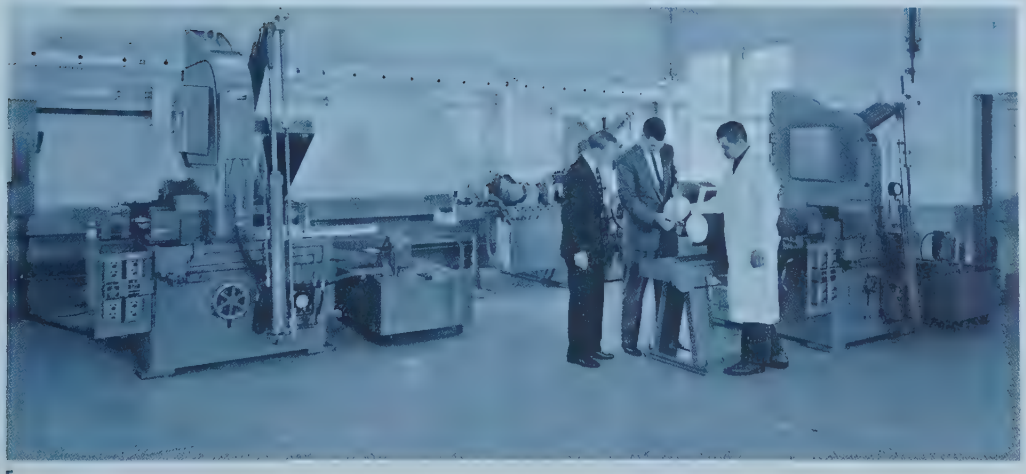
E. BRISTOL SOCKET SCREWS — ENROUTE TO THE MOON. Indicative of their reliability, Bristol Socket Screws (among other ACCO products) are used on Gemini spacecraft. Industry, of course, is the large user for our socket screws for assembling machines, instruments, electronic devices, appliances, etc.

F. CAMPBELL'S UNIQUE CUTTING LABORATORY. The best results from abrasive cutting are achieved by the combination of correct method, proper machine and the right wheel. Here, in Bridgeport, Campbell specialists conduct research in the most completely equipped abrasive cutting laboratory in the country.



D.

E.



F.

MANUFACTURING

In an over-all program of updating our manufacturing facilities, two expansions are of special interest.

New plant for Abrasive Cutting Wheels. At Shelton, Connecticut, ACCO is constructing a modern wheel manufacturing and research facility for Allison products. This $2,000,000 plant, occupying 100,000 square feet on a 10-acre site, will replace the existing plant and will triple our present manufacturing potential.

Expansion for Malleable Castings. To our existing ferritic malleable castings plant in York, Pennsylvania, we are presently adding a $500,000 facility. This new facility, equipped with Bristol controls and instrumentation, will be used for the manufacture of pearlitic malleable castings, for which there is a fast-growing demand. When completed in July, it will add 50% to our present capacity, and ACCO will become one of the largest suppliers of pearlitic products in the East.

RESEARCH & DEVELOPMENT

References to "R&D" projects are frequent in the daily activities of our Group, because the development of new and improved products, methods and processes has a high priority. The over-all program is a coordinated one with individual projects being conducted at our facilities in Baltimore, Bridgeport, Waterbury and York.

Among the many interesting current research projects, a few typical ones are — the development of new tie-down chain assemblies to serve the transport industries — new abrasive wheel formulations for cutting modern exotic metals, and larger diameter wheels — special fasteners for space-age products such as computers.

DATA PROCESSING

Data processing equipment serves three important functions of our work. First, we have speeded up the handling of mountainous volumes of detail information relating to the flow of our products from the plants to warehouses, to distributors and customers. Second, the information leads to more efficient scheduling of manufacturing operations to balance inventories. Third, it provides fast, accurate information to our Group sales and marketing team as a base from which to direct research, manufacturing and marketing strategy.

• • •

To summarize: Our coordinated Group is oriented to market changes, alert to opportunities arising in new markets and to customers' changing needs. It is organized to play an increasingly important part in the vast market of industrial supplies and machinery . . . and in the total concept of ACCO.

INSTRUMENTS & ELECTRONICS GROUP

C. GRAYDON LLOYD
President
The Bristol Company

Modern industry is moving rapidly toward more fully mechanized and automated processes. With it, the importance of measurement and control grows at even a faster pace. We are meeting industry's present needs capably. More significantly, the Instruments & Electronics Group is anticipating the future needs for more sophisticated computing and control products and systems.

BRISTOL

For many years, Bristol has been one of the leaders supplying indicating, recording and controlling equipment. During the past year, Bristol reoriented its personnel and facilities in order to respond even more quickly to the rapidly changing needs of its customers.

Demand today is growing not only for the contemporary control devices, applied "in plant" and centralized, but for the decentralized systems, as used in the operation of unattended pipe line stations. These, sometimes separated by hundreds of miles, require more sophistication, more security, and more advanced devices.

Bristol's answer to these challenges includes new and better control devices, equipment which makes use of computers, and an array of digital telemetry, control, and data handling systems. The latter provide typewritten records in addition to, or instead of, graphical records. Skillful systems engineers aid users in the design and use of these concepts. Typical systems are shown in the photographs at the right.

DATA-MASTER AND BRISTOL

But what of tomorrow's challenges? They are being met in continuing product research and development programs now being carried out at Bristol and at its Data-Master facility. It is at Data-Master where many Bristol advances in digital equipment have been developed.

• • •

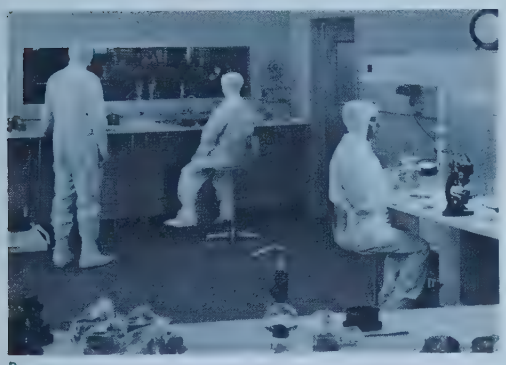
In the Bristol Components Section, emphasis is on miniaturization and aerospace reliability. Syncroverter choppers, models of which are available in a size as small as 0.1 cubic inch, reflect this emphasis. As to reliability, Bristol choppers are used throughout the aerospace industry and are recognized as the standard of excellence for miniature electro-mechanical switching devices.

In addition to Syncroverter choppers, the Components Section manufactures pressure sensitive capsules and miniature pressure switches which also satisfy the critical applications in industry as well as missiles and manned aircraft.

A.

B.

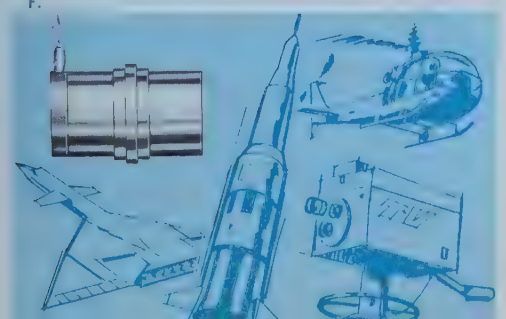
C.



D.

E.

F.



ELECTRO-MECH

Electro-Mech is a specialist in the design and fabrication of the complex instrument panels which epitomize automatic control systems.

It is at Electro-Mech that a control system design is transformed from a sheaf of instrument specifications, piping diagrams, and circuit designs into a finished control panel. All instruments, switches, lights and name-plates are mounted; the necessary pneumatic and electrical connections are made; the control complex is tested; all that remains is to ship the panel, as a complete unit, to the customer, tie into his process and start up.

Combined with Bristol's capabilities in system design, Electro-Mech's panel fabrication and instrument display capabilities provide ACCO with an ideal team to meet present and future challenges in the industrial instrumentation field.

WILSON HARDNESS TESTERS

Walk through the laboratories or production lines of practically any metalworking plant, and you will find Wilson "Rockwell" hardness testers. The Rockwell test, developed by Wilson, is the most widely recognized method of determining the hardness of metals. And, as increasingly more complex mass production techniques dictate stricter quality controls, the reliance on Wilson instruments becomes more acute.

The world's standard of the Rockwell test is maintained in the Wilson Standardizing Laboratory in Bridgeport, Connecticut. Here, test blocks are checked to detect any departures from original Rockwell values. Thus, every user of a Wilson instrument has the assurance that his Rockwell tests for hardness are absolutely accurate, and comparable to those on any other Wilson instrument throughout the world.

Among other firsts, Wilson developed in the United States the Tukon Microhardness tester for testing of small specimens, such as watch and other precision parts. The Tukon will be found today, not only in principal metallurgical laboratories, but also as an instrument used for production control.

HELICOID GAGES

Whenever it is necessary to measure the operating pressure of a liquid or gas, there is need for a pressure gage. When a gage is required to operate with dependable, sustained accuracy, a Helicoid Gage is often specified.

Whether measuring the performance of aerospace equipment or the operating depths of submarines, whether measuring oil well pressures or the pressure of the gas delivered to your home, Helicoid Gages provide a reliability unmatched by any other pressure gage.

The Helicoid name derives from a unique, helical gage movement made only by ACCO and capable of remaining accurate up to 150 times as long as any other kind of movement. It has earned Helicoid a reputation as "the gage of enduring accuracy."

ACCO GYRO

The exciting advances made by ACCO Gyro in the field of inertial reference components belie its brief two-year history. Bursting onto the scene with the Subminiature Supergyro, a new concept in rate gyros, ACCO gyros and accelerometers have been specified for several new significant programs, both civilian and military.

* * *

Many products of the Instruments & Electronics Group while serving industry also contribute to the improvement of man's living conditions. Our products are components of many systems that supply electricity, gas and water, as well as systems that are solving the problems of waste disposal and air and water pollution.

A. CITY WATER — FROM PRODUCTION TO DISTRIBUTION — AUTOMATICALLY CONTROLLED. An important part of a recently modernized water filter plant in Alabama, is this instrumentation system, designed and engineered by Bristol and fabricated by Electro-Mech. Now, virtually all operations connected with the 56 million-gallon-per-day plant, as well as a number of operations at other locations, are automatically controlled from the Bristol instruments on this central control panel. The control system enables this city to more efficiently control the production and distribution of potable water to its residents.

B. INSTRUMENT-COMPUTER TEAM SUPPLIES VITAL INFORMATION FOR EFFICIENT DISTRIBUTION OF NATURAL GAS. This installation of Data-Master products in California includes some of the very latest developments in remote supervisory control and data-gathering equipment as applied to the distribution and storage of natural gas. The Data-Master equipment enables the dispatcher at the central control room to operate a remote, unattended liquid natural gas plant by simply pressing push-buttons. A Data-Master data logger makes a wide variety of gas flow and gas storage calculations and automatically prints out the results on a log sheet with other measurements.

C. BRISTOL SYNCROVERTER CHOPPERS are used in the automatic guidance and rocket firing control systems of many of the most advanced aircraft in operation today.

D. OPERATING ROOM FOR PRESSURE GAGES. "Clean" is a deceptively mild term for a condition which is an absolute must in the missile industry. A Helicoid Gage certified as "clean" has been pickled, stabilized, flushed, packaged and sealed. Every particle of contaminant has been counted as proof of internal cleanliness. It qualifies Helicoid to supply gages for such critical jobs as monitoring the fueling of missiles.

E. PRODUCTION LINE SPEED, LABORATORY ACCURACY — AND TOTALLY AUTOMATIC! This new Wilson "Rockwell" hardness tester can test the hardness of up to 1,000 pieces an hour, accurately and automatically. Coupled with a solid state control system, developed by Data-Master, the new hardness tester is the only one to provide digital readout of Rockwell hardness numbers. With the help of an accessory printer, the hardness tester can even provide a permanent printed record of the hardness of individual production runs.

F. STABILIZATION of TV cameras, helicopters, jet aircraft and guided missiles are a few applications of the ACCO Supergyro rate gyros and Supergee accelerometers.

INTERNATIONAL GROUP

WILMOT F. WHEELER, Jr.
President
American Chain & Cable

For more than 50 years, American Chain & Cable has recognized the importance of international operations. Dominion Chain Company Limited of Canada was formed in 1913. Shortly thereafter, in 1915, Parsons Chain Company Limited was formed in England.

Both of these subsidiaries originally were producers of tire chains which since have become a relatively minor portion of their business. Today each offers a balanced, diversified product line. They and our other foreign subsidiaries have become increasingly involved with the manufacture and marketing of a variety of product lines similar to those of our domestic groups. Most recently, the acquisition of MHS International, Inc. (a subsidiary of Mechanical Handling Systems, Limited) has added a capability in the field of material handling.

For the past ten years, our international operations have contributed between 10% and 15% of the total Company earnings. During 1965 a number of significant steps were taken to capitalize further on these potentials.

DOMINION CHAIN COMPANY LIMITED

The new manufacturing plant and office at Stratford, Ontario, was officially opened on August 19, 1965. This facility consists of 220,000 square feet of factory and office space located on a well-landscaped 16-acre site. An investment of nearly $4 million is represented in buildings and new production equipment.

In addition to incorporating the world's most modern chain-making techniques, this plant provides for the significant growth potential for the production of automotive cable assemblies.

Certain non-recurring costs and production losses attended closing the old plant and opening the new one. The 1965 results were affected adversely to this extent. However, operations and profits are now back up to expectations.

The former plant at Niagara Falls, Ontario was closed during the past summer. This property has been sold advantageously.

Frank C. Cullimore, President of Dominion Chain Company Limited, retired on September 30, 1965 after 46 years of service. Donald E. MacDonald, formerly General Manager, was elected President to succeed Mr. Cullimore.

CANADIAN WARREN PINK

Dominion Chain added forged attachments for chain and wire rope, and certain tools for the Canadian lumbering industry to its product line by the acquisition of Canadian Warren Pink, Ltd. on March 1, 1965. The main plant, with 91 employees, is at St. Catharines, Ontario — not far from the new Dominion Chain plant in Stratford. A smaller plant, at Vancouver, British Columbia, serves the western area of Canada.

Operating results of this acquisition were most satisfactory during the ten months of 1965 that it has been part of the Company. Still better results should accrue as the joint marketing efforts of Dominion and CWP become increasingly more effective.

A.

B.

THE BRISTOL COMPANY OF CANADA LIMITED

This subsidiary manufactures and markets the Bristol line of instruments for application in Canadian industries. To accommodate a greater volume of business, a new plant in Toronto, Ontario was opened in December 1964.

Although 1965 sales showed an improvement over the previous year, profits were slightly below the 1964 level due to "breaking-in" expenses during the earlier part of the year. However, results showed a gradual improvement and further gains are anticipated during 1966.

PARSONS CHAIN COMPANY LIMITED

Parsons Chain marked its "golden anniversary" during 1965. This English subsidiary is the largest manufacturer of chain and chain assemblies in the British Isles. The plant is located at Stourport-on-Severn in the heart of England's industrial midlands.

Construction was started in mid-1965 on a second plant at Skelmersdale — a newly established industrial community some 50 miles east of Liverpool. This 75,000 square foot plant will house the most modern equipment available for the production of heat treated alloy and high carbon welded chain and chain assemblies. Initial production is expected by July 1966 and full production by the end of the year.

BRITISH WIRE PRODUCTS LIMITED

This subsidiary is engaged primarily with the fabrication and marketing of wire cable controls and Helicoid gages. Volume has been increasing and the plant acquired in 1963 (also at Stourport-on-Severn) is in full production.

The 1965 results showed a marked improvement over the previous year and still greater gains are anticipated for 1966.

INSTRUMENTOS BRISTOL, S.A.
CABLES AUTOMOTRICES, S.A.

Instrumentos Bristol is a joint venture established in 1963 to manufacture and market process control instruments in Mexico. Although comparatively small, this company has continued to be profitable and sales have been growing.

In 1964 Instrumentos Bristol began making and selling brake cable assemblies to the Mexican automotive industry. This business has grown to the point where a separate operation appeared to be appropriate. Early in 1966 a new company, Cables Automotrices, S.A. was formed for this purpose.

American Chain & Cable has a 50% interest in both of these joint ventures.

MHS INTERNATIONAL, INC.
MECHANICAL HANDLING SYSTEMS, LTD.
CANADIAN MECHANICAL HANDLING SYSTEMS, LTD.

With the acquisition in 1965 of Mechanical Handling Systems, Incorporated some important additions were made to the scope of our international operations.

In 1961, MHS organized a wholly-owned subsidiary, MHS International, Inc. to develop foreign business, primarily in Great Britain and Europe. MHS also holds a majority interest in Mechanical Handling Systems, Ltd. which fabricates and installs conveyor systems sold in Great Britain by MHS International.

Another wholly-owned subsidiary of MHS, Canadian Mechanical Handling Systems, Ltd., manufactures and markets a duplicate of the domestic MHS line.

EXPORT

Many of the Company's products manufactured in the United States are sold to foreign markets through the Export Department in New York. Although export sales account for a small percentage of total Company sales, they did show a 10% gain in 1965 over the previous year and this trend is expected to continue.

* * *

In summary, 1965 was a year devoted to the further expansion of our international operations. Some one-time costs in connection with this expansion reduced the contribution to 1965 earnings below those of other recent years. Nevertheless, we are confident that the steps taken in 1965 will pay handsome dividends in the years to come.

C.

D.

E.

A. CHAIN CUTTING CEREMONY OPENS DOMINION CHAIN'S NEW PLANT. Shown from left to right — Donald E. MacDonald, president of Dominion Chain; Arthur C. Laske, secretary-treasurer of ACCO; Cyrus N. Johns, Chairman of the board of ACCO; J. Fred Edwards, MPP of Perth; Frank C. Cullimore, past president of Dominion Chain; Wilmot F. Wheeler, Jr., president of ACCO.

B. DOMINION CHAIN COMPANY, LTD., Stratford, Ontario

C. THE BRISTOL COMPANY OF CANADA, LTD., Toronto, Ontario

D. CANADIAN WARREN PINK, St. Catharines, Ontario

E. PARSONS CHAIN COMPANY, LTD., Skelmersdale, England

Consolidated BALANCE SHEETS

December 31, 1965 and 1964

ASSETS

	1965	1964
Cash	**$ 12,171,094**	$11,323,462
Government securities and commercial paper	**493,903**	1,731,184
Accounts receivable	**23,999,573**	19,927,875
Inventories (Note 2)	**39,702,190**	35,470,562
Total current assets	**76,366,760**	68,453,083
Property, plant, and equipment, at cost	**62,611,292**	56,860,626
Less, Accumulated depreciation	**33,953,294**	31,798,587
	28,657,998	25,062,039
Miscellaneous investments, prepaid expenses and other assets	**4,211,239**	4,572,230
	$109,235,997	$98,087,352

The accompanying notes are

LIABILITIES

	1965	1964
Notes payable to banks, including current instalments on term loan	**$ 2,468,750**	$ 400,000
Accounts payable	**8,885,404**	8,017,424
Accrued expenses	**7,046,930**	6,546,413
Provision for income taxes	**5,668,059**	3,995,154
Preferred stock of subsidiary company called for redemption March 15, 1966	**474,900**	
Total current liabilities	**24,544,043**	18,958,991
5¼% term loan, principal payable $50,000 quarterly, less current instalments	**900,000**	1,100,000
Deferred income taxes	**1,374,000**	1,038,000
Preferred stock of subsidiary company		475,150
	26,818,043	21,572,141

STOCKHOLDERS' EQUITY

Common stock, authorized 4,000,000 shares, outstanding shares stated at par value of $1 each (Note 3)	**2,488,492**	2,486,692
Capital surplus (Note 3)	**16,338,777**	16,421,435
Earnings retained in the business	**63,590,685**	57,607,084
	82,417,954	76,515,211
	$109,235,997	$98,087,352

egral part of the financial statements.

Consolidated

STATEMENTS OF INCOME AND EARNINGS RETAINED IN THE BUSINESS

	1965	1964
Net sales	**$166,819,260**	$156,259,405
Cost of goods sold	**128,088,319**	120,214,428
Gross profit	**38,730,941**	36,044,977
Selling, administrative and general expenses (less other income, net, 1965 $584,190, 1964 $490,332)	**21,904,819**	21,054,283
Income before taxes	**16,826,122**	14,990,694
Federal, Canadian and United Kingdom income taxes	**7,485,000**	7,165,000
Net income for the year	**9,341,122**	7,825,694
Earnings retained in the business, beginning of year	**57,607,084**	54,235,050
	66,948,206	62,060,744
Cash dividends on common stock: American Chain & Cable Company, Inc.	**3,287,237**	2,876,873
Mechanical Handling Systems, Incorporated	**70,284**	69,659
Loss on disposition of certain divisions, less reduction in income taxes of $1,700,000		1,507,128
Earnings retained in the business, end of year	**$ 63,590,685**	$ 57,607,084

SOURCE AND USE OF FUNDS

	1965
SOURCE OF FUNDS	
Net income	**$ 9,341,122**
Depreciation	**3,403,137**
Funds provided from operations — cash flow	**$12,744,259**
USE OF FUNDS	
Capital expenditures	**$ 7,002,347**
Cash dividends	**3,357,521**
Increase in working capital	**2,328,725**
Miscellaneous net	**55,666**
	$12,744,259

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. The accompanying financial statements consolidate the accounts of the Company and wholly-owned domestic, Canadian and English subsidiaries. The statements include Mechanical Handling Systems, Incorporated and its wholly-owned domestic and Canadian subsidiaries both for 1965 and 1964. This company was acquired through the issuance of 186,994 shares of the Company's common stock late in 1965, in a transaction which has been accounted for as a "pooling of interests."

   Information shown below for Canadian and English subsidiaries and an English branch, included in the consolidations, is based upon translation of their currencies into United States dollars at appropriate rates of exchange.

	1965	1964
Net current assets	**$ 4,038,473**	$3,040,467
Fixed and other assets, net	**4,552,407**	4,017,618
Net income for the year	**1,541,495**	1,657,603

2. Inventories are stated at the lower of cost (principally first-in, first-out, or average) or market. The inventories comprise:

	1965	1964
Raw materials	**$12,586,886**	$11,620,741
Work in process	**15,083,440**	12,541,177
Finished goods	**11,015,993**	10,393,817
Supplies	**1,015,871**	914,827
	$39,702,190	$35,470,562

3. At December 31, 1964, 1,150,749 shares of common stock without par value were outstanding. Early in 1965, the common stock was changed to $1 par value shares, the authorized number of shares was increased to 4,000,000, and a 2-for-1 stock split was effected. Pursuant to such actions, 1,150,749 additional shares of common stock were issued and $10,366,052, net, was transferred from common stock account to capital surplus account. These transactions have been reflected in the accompanying balance sheet at December 31, 1964.

   Capital surplus decreased $82,658 during 1965. This amount consists of charges of $105,083 principally for costs of acquiring Mechanical Handling Systems, Incorporated, less credits of $22,425 mainly proceeds in excess of par value of common stock of the acquired company issued pursuant to stock options.

   The Company is also authorized to issue 30,000 shares of $100 par value serial preferred stock.

4. Depreciation of plant and equipment charged against income amounted to $3,403,137 in 1965 and $3,266,865 in 1964.

Auditors' Report

LYBRAND, ROSS BROS. & MONTGOMERY

2 Broadway
New York 10004
March 7, 1966

To the Board of Directors and Stockholders,
American Chain & Cable Company, Inc.:

We have examined the consolidated balance sheet of AMERICAN CHAIN & CABLE COMPANY, INC. and SUBSIDIARIES as of December 31, 1965 and the related statement of income and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company and subsidiaries for the year 1964, which have been restated to include Mechanical Handling Systems, Incorporated and its wholly-owned subsidiaries as indicated in Note 1.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of American Chain & Cable Company, Inc. and subsidiaries at December 31, 1965 and 1964 and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have made a similar examination of the accompanying statement of Source and Use of Funds which, in our opinion, when considered in relation to the basic financial statements, presents fairly the source and use of funds for the year ended December 31, 1965.

Lybrand Ross Bros & Montgomery

COMPARISON FOR THE 10-YEAR PERIOD 1956-1965

	Net sales	Income before taxes	Income taxes	Net income	Cash dividends	Retained in the business
	In Thousands of Dollars					
1965	**$166,819**	**$16,826**	**$7,485**	**$9,341**	**$3,357**	**$5,984**
1964	156,259	14,991	7,165	7,826	2,947	4,879**
1963	145,595	11,978	6,143	5,835	2,947	2,888
1962	127,290	9,613	4,970	4,643	2,877	1,766
1961	113,545	7,442	3,750	3,692	2,872	820
1960	116,733	9,497	5,040	4,457	2,858	1,599
1959	118,425	11,196	5,715	5,481	2,858	2,623
1958	107,719	9,118	4,610	4,508	2,858	1,650
1957	121,039	14,434	7,355	7,079	2,748***	4,331
1956	121,840	16,348	8,530	7,818	2,642***	5,176

ACCO

Years subsequent to 1962 include Mechanical Handling Systems, Incorporated, which was acquired in 1965 in a "pooling of interests."

Working capital	Capital expenditures	Depreciation	Working capital ratio	Stockholders' equity per share*	Earnings per share*
$51,823	**$7,002**	**$3,403**	**3.1 to 1**	**$33.12**	**$3.75**
44,494	5,070	3,267	3.6 to 1	30.77	3.15
49,567	2,797	3,071	3.7 to 1	29.41	2.35
41,335	3,752	2,801	3.7 to 1	28.51	2.02
40,182	2,648	2,646	3.7 to 1	27.75	1.60
39,456	4,061	2,625	3.7 to 1	27.43	1.95
39,482	3,523	2,476	3.5 to 1	26.72	2.40
37,685	1,919	2,279	3.6 to 1	25.57	1.97
35,444	4,160	2,103	3.2 to 1	24.85	3.10
33,114	4,149	1,851	2.7 to 1	23.88	3.56

**Based on shares outstanding at end of year adjusted for 2-for-1 split in 1965.*
***Before special item charged against earnings retained in the business.*
****A 4% stock dividend was also paid in each of these years.*

In the United States

PLANTS

AMERICAN CHAIN
Braddock & York, Pennsylvania

AMERICAN CABLE
Houston, Texas; Wilkes-Barre, Pennsylvania

AUTOMOTIVE & AIRCRAFT
Fairfield, Iowa; Adrian, Michigan; Exeter, Pennsylvania

ACCO EQUIPMENT
York, Pennsylvania

ACCO GYRO
Waterbury, Connecticut

ACCO MALLEABLE CASTING
York, Pennsylvania

ALLISON-CAMPBELL
Bridgeport, Connecticut; Bristol, Pennsylvania

THE BRISTOL COMPANY
Waterbury, Connecticut

DATA-MASTER
Glen Cove, New York

ELECTRO-MECH
Norwood, New Jersey

HAZARD WIRE ROPE
Houston, Texas; Wilkes-Barre, Pennsylvania

HELICOID GAGE
Bridgeport, Connecticut

THE LOUDEN MACHINERY COMPANY
Fairfield, Iowa

MANSAVER
York, Pennsylvania

THE MARYLAND BOLT AND NUT COMPANY
Baltimore, Maryland

MECHANICAL HANDLING SYSTEMS, INCORPORATED
Detroit (Warren), Michigan

PAGE STEEL & WIRE
Monessen, Pennsylvania

WILSON MECHANICAL INSTRUMENT
Bridgeport, Connecticut

WRIGHT HOIST
York, Pennsylvania

SALES OFFICES

Alabama • Birmingham

California • Burlingame; Los Angeles; San Francisco

Colorado • Denver

Connecticut • Bridgeport; Waterbury

Delaware • Wilmington

Georgia • Atlanta; Decatur

Illinois • Chicago (Melrose Park); La Grange

Iowa • Fairfield

Louisiana • New Orleans

Maryland • Baltimore

Massachusetts • Boston; Newton

Michigan • Detroit; Warren

Missouri • Kansas City; St. Louis

New Jersey • Clark; Norwood; Springfield

New York • Buffalo; Glen Cove; Long Island City; New York City; Schenectady

Ohio • Akron; Cincinnati; Cleveland; Dayton

Oregon • Portland

Pennsylvania • Bristol; Monessen; Philadelphia; Pittsburgh; Wayne; Wilkes-Barre; York

Texas • Dallas; Houston; Odessa

Wisconsin • Milwaukee

In Canada

THE BRISTOL COMPANY OF CANADA LIMITED
Toronto, Ontario

CANADIAN MECHANICAL HANDLING SYSTEMS LTD.
Windsor, Ontario

CANADIAN WARREN PINK
St. Catharines, Ontario; Vancouver, British Columbia

DOMINION CHAIN COMPANY LIMITED
Stratford, Ontario

In England

MHS INTERNATIONAL, INC.
Watford, Herts

PARSONS CHAIN COMPANY LIMITED

BRITISH WIRE PRODUCTS LIMITED
Stourport-on-Severn, Worcestershire

In Mexico

INSTRUMENTOS BRISTOL, S.A., Mexico, D. F.

Shown on this page are some of
ACCO's many Trade Names and Trademarks.

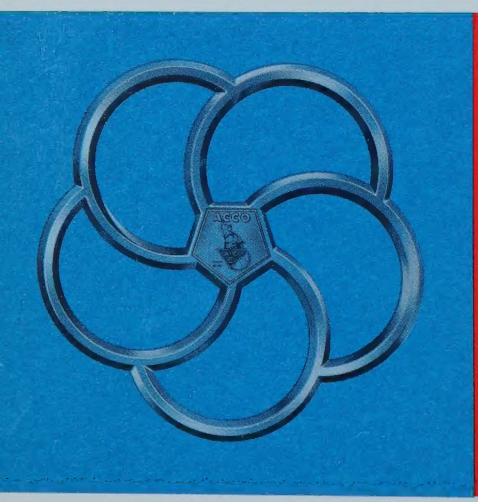
CONDENSED LIST OF

PRINCIPAL ACCO PRODUCTS

SERVING INDUSTRY, AGRICULTURE, TRANSPORTATION, COMMUNICATIONS, DEFENSE & SPACE

Accelerometers
Annunciator Systems
Bolts & Nuts
Brakes, Bus & Truck
Cable Assemblies & Fittings
Castings, Malleable Iron
Chain, Welded & Weldless; Attachments
Choppers, Syncroverter
Control Centers & Panels, Custom-Engineered
Control Systems, Solid State Supervisory
Controls, Mechanical Push-Pull Remote
Conveyors
Cranes, Jib & Overhead; End Trucks; Drive Units
Data Loggers, Digital & Computing
Fence, Aluminized Chain Link
Gages, Pressure
Grabs, Material Handling, Custom-Engineered
Gyros, Subminiature Rate
Hoists, Cable, Chain; Hand, Air, Electric
Inertial Equipment
Instruments; Automatic Controlling, Recording Electronic & Telemetering
Loggers & Printers, Digital Data
Machines, Abrasive Cut-off
Material Handling Systems, Custom-Engineered
Monorails
Nibbling Machines; Punches; Dies
Presses, Hydraulic
Printers, High Speed Serial-Entry
Racks, Storage
Screws, Socket
Slings; Chain, Wire Rope, Nylon, Dacron, Wire Mesh
Steering Equipment for Boats
Testers, Hardness
Tire Chains, Auto, Truck & Tractor
Valves, Control
Wheels, Abrasive Cutting, Grinding & Regulating
Wire, Core, Shaped, Spring, Welding
Wire Handling Equipment, Custom-Engineered
Wire Rope & Strand; Assemblies

• • •



AMERICAN CHAIN & CABLE
COMPANY, INC.
BRIDGEPORT, CONNECTICUT